The role of broader context and the communication program in merger and acquisition implementation success

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Abstract

Purpose – To investigate what actually influences a merger and acquisitions (M&As) successful implementation. Despite the significant research interest in this topic our knowledge is still incomplete.

Design/methodology/approach – Our approach differs from traditional research efforts in the field. First, it explores the influence of a range of factors including external corporate environment, company characteristics, communication program and the characteristics of the M&A itself. Second, it is based on a comparatively large sample of 72 in-depth studied M&As which took place in Greece.

Findings – Results indicate that the existence of a communication program is among the most influential factors in the successful implementation of an M&A. Other determining factors are aspects of the external corporate environment, the formalization of the decision-making process and the consequentiality of the M&A.

Research limitations/implications – More empirical studies are needed to replicate and extend our study by examining variables not included here. Moreover, it would be particularly interesting to conduct similar studies in other countries, where the M&A practice is still young (i.e. newly accepted EU countries).

Practical implications – Results show that the appropriate communications strategy is the area that can significantly improve the odds of success in post-merger integration. In addition, our findings might be of importance to newly accepted EU member countries as they are likely to attract a wave of M&As in the coming years.

Originality/value – The paper explores a range of factors and investigates their effect on the successful implementation of M&As. Few studies have empirically examined such a combination of factors on M&A success using a relatively large sample of acquisitions.

Keywords Communication, Acquisitions and mergers, Business environment, Organizational change

Paper type Research paper

1. Introduction

Mergers and acquisitions (M&As) have been at the center of management research for at least two decades. They are increasingly seen by firms as a relatively fast and efficient way to expand into new markets, to acquire new competences, to create economies of scale, to globalize, to spread the risk or even to dominate existing markets. Yet their success is by no means assured. Despite the enormous body of prescriptive research outlining what to do to succeed in M&As recent empirical research shows that between 50 and 75 percent of M&A fail to meet the anticipated purpose. The list of possible reasons seems to be endless including such factors as unrealistic expectations, poor planning, talent lost or mismanaged, poor communication, cultural clashes, changing external environmental conditions, integration difficulties etc. (Schuler and Jackson, 2001; Brouthers *et al.*, 1998;

Pablo *et al.*, 1996; Bryson, 2003; Kerr, 1995; Burns and Rosen, 1997a; Cartwright and
Cooper, 1995; Risberg, 1997; Chatterjee *et al.*, 1992; Griffith, 2000).

Despite the significant research interest, due to the complexity of these
organizational events, our understanding of the antecedents of successful M&As is
still incomplete. This can be partly attributed to the fact that researchers tend to take a
partial view at the phenomenon. With few exceptions (Kusewitt, 1985; Larsson and
Finkelstein, 1999; Hunt, 1990) most of the existing research focuses on selected
domains of interest while paying lip attention to other potentially influential domains.
In addition, the largest part of the existing research is based on in-depth studies of a
very small number of cases (Bryson, 2003; Capron and Mitchell, 1997). The results of
this body of research despite their profound significance cannot lead to generalizable
conclusions.

The present study aims to fill that gap by adopting a more holistic approach. Our
approach differs from traditional research efforts in the field in four ways:

(1) It focuses on the successful implementation of the M&A as opposed to more
ambiguous criteria such as accounting or market returns.

(2) It simultaneously examines a range of factors that have been identified as
important in previous research (e.g. characteristics of the external business
environment, the characteristics of the M&A decision itself, the characteristics
of the acquiring company, as well as the characteristics of the communication
program).

(3) It brings fresh empirical evidence from outside the USA or UK context where
the majority of published research comes from.

(4) It is based on a comparatively large sample of 72 M&As. We have collected
these data through a study based on both primary data (i.e. questionnaire
completion, interviews, internal document study) and secondary data (i.e. press
reports).

The rest of this paper is organized as follows. In Section 2, we review the literature and
develop hypotheses. Section 3 describes our methods. Section 4 describes the
measurement of variables. Section 5 discusses our results and Section 6 and 7 present
our concluding remarks and explore their implications, limitations and possible
directions for future research.

2. Background and hypotheses

Research on M&As has grown exponentially over the past decade. It is therefore
understandable why researchers from a broad range of disciplines are attempting to
approach the M&A phenomenon. Hunt (1990), Larsson and Finkelstein (1999) and
others have attempted to classify the studies on M&As, according to the discipline
from which they originate, as follows:

(1) economists and finance scholars;

(2) strategic management scholars; and

(3) behavioral scientists.

In the following a brief analysis of the main properties of each of these streams of
research is attempted.